

**CREDIT
READY**



Jargon Buster

Everything you need to know
made clear



This Jargon Buster is designed to make everything easy to understand and explain our terms from A–Z. Keep it safe inside your folder as your go-to-guide for your application.

Appointed representative

In broad terms, an appointed representative is a business which is not authorised, but has a contract with a firm (called 'the principal') that allows it to carry out certain activities under the permission of the principal. There are requirements around who can be an appointed representative, set out on our website: www.fca.org.uk/creditleady

Approved person

At least one individual in most consumer credit firms must be approved by us when a firm applies to be authorised. The exceptions are most providers of not-for-profit debt advice and some sole traders. Approved persons are individuals who are approved to perform certain functions on behalf of a firm called 'controlled functions'. We can approve an individual only when we are satisfied that they are fit and proper to perform the controlled function(s) they apply for. More detail on approved persons is available on our website.

Authorised

If your application is approved by the FCA you will be authorised. Firms and individuals can only conduct regulated activities in the UK if they are authorised by us to do so.

Branches

An establishment that is part of your firm, but not your principal place of business where your firm provides products or services, whether face-to-face or over the telephone.

Business continuity

How your business would function in the event of an unforeseen interruption. We ask firms applying for full permission for information on this, and set out what we expect in our full permission guidance notes on pages 25-26.

Business risks

The key risks that your business faces, that could impact on your ability to meet FCA requirements. These will depend on the nature of your business.

Examples include your firm getting into financial difficulties, clients being given unsuitable advice, or inadequate systems and controls.

Client money

This will only be relevant to certain types of consumer credit firms:

For client money (CASS) debt management firms (see the FCA Handbook glossary for a definition) this means money of any currency it receives or holds on behalf of a client in the course of, or in connection with, debt management activity.

For operators of an electronic system in relation to lending, it means money of any currency that the firm holds for clients in the course of operating an electronic system in relation to lending, but only in relation to facilitating a person becoming a lender under a peer-to-peer agreement and in relation to certain supplemental activities.

See the FCA Handbook glossary for a full definition of Client Money.

Compliance procedures

A set of procedures that are put in place to ensure that a firm meets the regulatory requirements. The areas we expect to be covered include record keeping, complaints handling, reporting requirements, and protecting customer interests. This is covered in detail in our guidance notes on our website:

Limited permission notes pages 19-20. Full permission notes pages 28-29.

Compliance monitoring programme document

A document that shows how you establish, maintain and carry out a programme of actions to check that your firm complies and continues to comply with its compliance procedures.

This is covered in detail in our guidance notes on our website, with an example of what one looks like:

Limited permission notes page 20. Full permission notes page 30.

CONC – the Consumer Credit sourcebook

The Consumer Credit Sourcebook, known as CONC, is the part of the FCA Handbook that sets out the detailed conduct standards and rules for firms carrying out consumer credit activities.

Consumer credit income

We have set a definition of this and how you should calculate it in your application form. See our Handbook: www.fshandbook.info/FS/html/FCA/FEES/4/Annex11B

Continuous payment authority (CPA)

A continuous payment authority exists when a customer has given consent to a firm to debit one or more payments from the customer's payment account (for example, to satisfy regular payments that the customer must make to the firm).

Controller

This is a very broad concept, and generally speaking includes the beneficial owners of the business, who may be individuals or firms with an indirect shareholding in your firm.

In more complex corporate structures, it can also include individuals, other than shareholders, who may be entitled to exercise significant influence over the management of the firm.

This is not applicable to sole traders.

Credit-related regulated activity

Firms need FCA authorisation for the following consumer credit activities:

1. entering into a regulated credit agreement as lender;
2. exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement;
3. credit broking;
4. debt adjusting;
5. debt counselling;

6. debt collecting;
7. debt administration;
8. entering into a regulated consumer hire agreement as owner;
9. exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement;
10. providing credit information services;
11. providing credit references;
12. operating an electronic system in relation to lending;
13. agreeing to carry on a regulated activity (so far as relevant to any of the activities in points 1 to 9; which is carried on by way of business and relates to a specified investment applicable to that activity or, in the case of point 10 to 11, relates to information about a person's financial standing. These activities are set out in full in the Perimeter Guidance (PERG 2.7) in our Handbook (alongside other FCA-regulated activities).

Disclosure documents

The documents such as the pre-contract information (SECCI – Standard European Consumer Credit Information) and the specified information in agreements that firms give to their customers.

Distance marketing

This refers to activities within the scope of the Distance Marketing Directive. Please see our Handbook glossary for more information.

Domestic premises supplier

A supplier who sells goods or supplies services, to customers who are individuals, while they are present in the customer's home. Note that a supplier who does so on an occasional basis is not treated as a domestic premises supplier.

FCA Handbook

The FCA rules and guidance are set out in the Handbook text. Words in italics are defined in the glossary.

Financial crime procedures

The procedures you have in place to counter the risks that your firm might be used by third parties to further financial crime (this includes any offence involving fraud or dishonesty; misconduct in, or misuse of, information relating to financial markets or handling the proceeds of crime).

Financial promotion

A financial promotion is a communication that is an invitation or an inducement to engage in investment activity. Credit-related regulated activities – including entering into regulated credit agreements as a lender and carrying on debt management – are included in the definition of an ‘investment activity’ for the purposes of this definition.

For further information see our website.

Financial resources

If you apply for full permission you will need to provide management accounts, sources of your capital, and any external funding.

If you apply for limited permission we will just ask you whether you will remain solvent and you will need to provide evidence that you are if we ask.

Financial Services Register

The Financial Services Register is a public record on our website of all the firms and individuals in the financial services industry that we regulate.

Full permission

This is a term we use to describe the level of FCA authorisation some firms will need to apply for.

We have two categories of authorisation for consumer credit firms: 'limited permission' and 'full permission'. Whether you need to apply for limited or full permission depends on the regulated activities your firm will carry on.

Use our decision tool to see which level of permission you should apply for.

Green deal broking

Credit broking in relation to green deal plans, as defined under Section 1 of the Energy Act 2011.

High-cost short-term credit

This type of lending is defined in our Handbook.

Interim permission reference number

The number that we allocated to your firm when you registered with us for interim permission. You can find this by searching for your firm's details on the consumer credit register on our website.

Lead generators

Another firm or individual that acquires the personal contact details of customers and passes them to you in return for a fee.

Legal status

The type of firm that you are: for example, sole trader, public limited company, private limited company, etc. We give a full list in our application form.

Please note that the legal status 'sole trader' means that the firm is an individual person. For an incorporated company, which is run by a single person, the correct status is likely to be 'private limited company'.

Limited permission

This is a term we use to describe the level of FCA authorisation some firms will be able to apply for.

We have two categories of authorisation for consumer credit firms: 'limited permission' and 'full permission'. Whether you need to apply for limited or full permission depends on the regulated activities your firm will carry on.

Firms carrying on certain activities in some limited circumstances only are able to apply for limited permission. Their permission from the FCA will be restricted to certain consumer credit activities and subject to limitations.

Use our decision tool to see which level of permission you should apply for.

The full definition of limited permission is in our Handbook.

Locum arrangements

A locum agreement is an arrangement with another firm who has the same permissions as you, to assist or help your customers on a temporary basis.

We ask about this because there is a potential risk to your customers if your firm is solely dependent on one individual to run the business and something unforeseen happens to that individual. We want to find out what arrangements you have in place if that were to happen.

Market abuse

Certain types of behaviour, such as insider dealing and market manipulation, can amount to market abuse. We will ask you to briefly describe the steps you have put in place to counter the risk that you or your staff may engage in activity which constitutes market abuse.

Mitigation plan

How you plan to deal with risks in or to your business.

Network

This refers to a firm who is the principal to several appointed representatives. Our Handbook glossary has a full definition.

Not-for-profit body

For these purposes, a not-for-profit body is one which, by virtue of its constitution or any enactment:

- is required (after payment of outgoings) to apply the whole of its income, and any capital which it expends, for charitable or public purposes, and
- is prohibited from directly or indirectly distributing amongst its members any part of its assets (otherwise than for charitable or public purposes).

OFT licence number

The reference number that the Office of Fair Trading allocated to your firm when you received your consumer credit licence.

Organisation structure chart

This should be a staff organisation structure chart that clearly indicates senior management and decision makers. We will need to know about the key officers and directors and their responsibilities within the structure of the firm.

We will not ask sole traders or sole director limited companies for this.

Outsourcing arrangements

Any arrangements you have with another firm to provide services that might otherwise be performed by your own in-house employees. We will ask you to include details of the parties that the functions will be outsourced to and how you will monitor and control the outsourced functions.

Principal place of business

The main place where your firm's work is performed or business is carried out. This will appear on the Financial Services Register.

Principles for businesses

The fundamental obligations that FCA-regulated firms must comply with at all times. They are set out in our Handbook.

Professional adviser

If you use a professional adviser (such as a compliance consultant) to help you with regulatory returns or compliance matters, then we will need their details.

Registered name

This is the name that will appear on the Financial Services Register in relation to your firm.

If you are an incorporated firm, then this is the full current firm name registered at Companies House.

If you are a sole trader, you should put your personal name as the registered name.

Registered office address

If you are an incorporated firm this will be the name you have registered at Companies House.

Regulated activities

A regulated activity is an activity of a type prescribed by legislation. For example, entering into regulated credit agreements as lender or credit broking. Firms who carry out regulated activities in the UK are required to be authorised by the FCA to conduct those activities. The full list of regulated activities is set out in our Handbook.

Regulatory business plan

This will set out your business aims and objectives and detail how you will organise your resources to achieve them. The level of detail that your plan goes into should be proportionate to the complexity and scale of your business. Your business plan will help us assess the adequacy of your resources and the suitability of your business model.

If you apply for full permission you must attach this to the online application form. If you apply for limited permission you will not need to include it with your application but you

should be able to provide it later if we request it.

The business plan should include:

General information

- The background to the business.
- Why you wish to carry out regulated activities.
- Whether you have identified a particular business opportunity or identified a specific customer base.
- Any long-term strategy and expansion plans for your business.
- Whether you plan to outsource functions to other companies, use self-employed agents, compliance consultants, appointed representatives or a franchise business model, and how you will control these relationships.
- The experience of the senior management of your firm and their responsibilities, including identifying areas they may specialise in.

Information on customers

- Where you will source customers from (e.g. existing client base, credit brokers or lead generators).
- Key risks to your firm and your customers and how you propose to protect against these. This will include how you plan to treat customers fairly, deal with vulnerable customers or those in financial difficulty and protect against the risk of fraud and crime.
- How you will assess affordability and creditworthiness and your process for rollover/extension or re-financing decisions (if applicable).
- Whether you report data to and use credit reference agencies.
- Your plans in relation to financial promotions (e.g. website material, brochures and other advertising) and how you will ensure these comply with the consumer credit rules in the FCA Handbook (set out in CONC 3).

Products and procedures

- Details of your sales process.
- The types of products you will sell, any associated products, how you will take

payments (for example continuous payment authority) and whether you seek any guarantees.

- Whether you incentivise staff and how you do this. For example, do you have incentives based on sales? If you offer a financial incentive, how do you calculate it?
- Details of any case management procedures you have and how you ensure the accuracy of information provided to you.
- Procedures for valuing customers' assets (if applicable).
- The proportion of arrears or defaults (if applicable).
- Your arrears and recovery procedures and any template documents you use or intend to use, if relevant.
- The proportion of debts that you take legal action to recover (if applicable).
- Whether you are a member of a trade body or professional association.
- For debt-management firms, the proportion of debt-management plans that are not completed (for example those where a customer enters into another debt solution, settles their debts, stops paying or if contact is lost).

Regulatory reporting

Once you become authorised, you will begin reporting information to us about your business on a regular basis through an online system on our website. This includes basic details of your consumer credit business for limited permission firms, and some additional key information for full permission firms.

Remuneration structure

How you generate income from your regulated activities. For example, from commission from a finance provider or money from your clients.

Responsible lending

The conduct of business requirements set out in Chapter 5 of our Consumer Credit sourcebook (CONC) .

Scope of permission

The regulated activities that your FCA authorisation allows you to carry out. Your scope of permission will need to cover all the regulated activities that your firm carries out.

Significant events

Significant events include, but are not limited to:

- any material litigation in the last five years before the date of the application;
- any material written complaints made by customers or former customers in the last five years accepted by the applicant or those upheld or awaiting determination by an ombudsman;
- any insolvency events in relation to bankruptcy, winding-up company or individual voluntary arrangements, receivership or administration;
- any failure to satisfy a judgement debt under a court order in the UK and elsewhere in the last ten years;
- any outstanding financial obligations arising from regulated activities the applicant carried on in the past, including any outstanding fees to the Financial Services Authority, Financial Conduct Authority or the Prudential Regulation Authority or any other financial services regulator.

There is more information on disclosing significant events in COND 1.3.3 G section of our Handbook.

Sole trader

Someone who operates as an individual other than through the use of a company structure or partnership and has sole responsibility for the actions of the business. Sole traders are personally responsible for any liabilities incurred by the business. A sole trader generally:

- has the right to make all decisions affecting the business;
- owns all the assets of the business;
- is responsible for paying income tax on profits of the business;
- is responsible for the debts and obligations of the business without any limit.

Supplier

A supplier is a firm whose main business is to sell goods or supply services and not to carry out a regulated activity, other than the activity of entering into regulated consumer hire agreements as owner (or exercising, or having the right to exercise the owner's rights and duties under regulated consumer hire agreements).

Note that there is a different definition for a 'domestic premises supplier'.

Threshold conditions

All firms have to meet our minimum standards to become and remain authorised. These are known as our threshold conditions. Some threshold conditions are modified for firms that apply for limited permission.

The threshold conditions are explained in our guide for consumer credit firms on our website and set out in full in our Handbook.

Trading name

The name that your firm trades under.

Treating customers fairly

This is one of our most fundamental principles for businesses, which are the principles that all FCA-regulated firms must comply with at all times. Principle six says "A firm must pay due regard to the interest of its customers and treat them fairly". We explain more about this, and the six consumer outcomes, on our website.

Unregulated activities

Any activities your business will carry out which do not require authorisation by FCA, whether or not they are connected to the regulated activities.

Validation order

Before 1 April 2014, this term referred to an order for which firms could apply to the Office of Fair Trading to validate consumer credit or hire agreements that were entered into

by an unlicensed creditor or as a result of an introduction by an unlicensed credit-broker.

Since 1 April 2014, the FCA has adopted the same terminology because industry is familiar with it. In the FCA context, the term is being used to refer to a notice made by the FCA allowing a regulated credit or hire agreement to be enforced or a notice allowing money paid or property transferred under those agreements to be retained.

There is further guidance on validation orders on our website.

Variation of permission

If you are already authorised by us and want to add consumer credit activities, you will need to apply for a 'variation of permission'. You will need to follow the instructions on our website about how to make a variation of permission application.

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
[fca.org.uk/credittready](https://www.fca.org.uk/credittready)

